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**The Society of the Roman Catholic Church
of the Diocese of Lake Charles**

Lake Charles, Louisiana

**Financial Statements and Independent Auditors' Report
Year Ended June 30, 2010**

TABLE OF CONTENTS

	<i>Page</i>
<i>Independent Auditors' Report</i>	1
<i>Financial Statements:</i>	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6
<i>Supplemental Information:</i>	
Schedule of Functional Expenses.....	15

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INDEPENDENT AUDITORS' REPORT

The Most Reverend Glenn John Provost, D.D.
Bishop of the Diocese of Lake Charles

We have audited the accompanying statement of financial position of The Society of the Roman Catholic Church of the Diocese of Lake Charles, Inc. (the Diocese), as of June 30, 2010, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Diocese's prior financial statements and, in our reports dated February 12, 2010, March 5, 2009, and February 13, 2008, respectively, we expressed a qualified opinion on those financial statements as a result of being unable to obtain audited financial statements or other evidence supporting certain amounts and disclosures. Additionally, those financial statements omitted post retirement benefit obligations from the statement of financial position and the effect of that departure from accounting principles generally accepted in the United States of America was not reasonably determinable.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

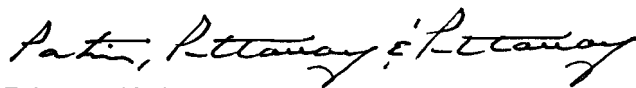
No accounting controls are exercised over cash collections or other revenue prior to the initial entry in the accounting records. Accordingly, it was not practicable for us to extend our audit of such revenue and support beyond the amount recorded. We were unable to obtain audited financial statements or other support for the Diocese's investment in the Louisiana Catholic Worker's Compensation Pool, an unincorporated joint venture carried in the statement of financial position at \$285,116. Additionally, we were not able to obtain audited financial statements supporting the disclosure in Note 1 of summarized financial data of related entities; nor were we able to satisfy ourselves as to the carrying value of the investment or the disclosure in Note 1 by other auditing procedures.

As more fully described in Note 10 to the financial statements, the Diocese has excluded certain post retirement benefit obligations from liabilities in the accompanying statement of financial position. Accounting principles generally accepted in the United States of America require that such obligations be included in the statement of financial position and the effects of this departure on the Diocese's financial position, changes in net assets and cash flows are not reasonably determinable.

In our opinion, except for the effects of not reporting certain post retirement benefit obligations as discussed in the preceding paragraph and the effects of such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient evidence regarding the completeness of support and revenue, the disclosure of summarized financial data and the carrying value of the investment referred to in the second preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Most Reverend Glenn John Provost, D.D.
Bishop of the Diocese of Lake Charles

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, except for the effects of not reporting certain post retirement benefit obligations as more fully described in Note 10 to the financial statements, the schedule of functional expenses is fairly stated in all material respects in relation to the financial statements taken as a whole.



February 18, 2011

**THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES**

Statement of Financial Position

As of June 30, 2010

(With comparative totals as of June 30, 2009, 2008 and 2007)

	2010	2009	2008	2007
Assets:				
Cash and equivalents	\$ 8,269,625	\$ 10,383,190	\$ 11,572,530	\$ 13,159,592
Investments and securities (Note 3)	2,851,606	2,703,090	768,638	685,194
Accounts receivable, net of allowance for doubtful accounts of \$13,738	37,966	110,882	83,115	42,731
Accrued interest receivable	14,091	39,115	-	-
Grants and contributions receivable in less than one year, less allowance for doubtful accounts of \$0	75,538	443,826	456,945	723,867
Loans receivable (Note 11)	144,423	146,909	21,909	23,600
Cash value of life insurance policies	633,851	593,517	552,798	516,951
Prepaid insurance and other expenses	598,679	575,849	380,441	506,888
Advance payment on purchase agreements	-	-	-	146,189
Property, equipment, and improvements, net (Note 5)	7,627,140	6,830,257	6,708,018	6,871,686
Investments pledged as collateral (Note 3)	100,000	100,000	100,000	100,000
Beneficial interest in perpetual trust (Note 7)	1,477,732	1,454,138	1,556,744	1,584,942
TOTAL ASSETS	\$ 21,830,651	\$ 23,380,773	\$ 22,201,138	\$ 24,361,640
Liabilities:				
Accounts payable	\$ 386,564	\$ 608,320	\$ 649,473	\$ 381,661
National collections and other payables	246,140	522,042	186,307	212,584
Insurance proceeds payable to parishes	972,317	1,626,763	-	1,134,818
Reserve for insurance claims (Note 9)	128,279	180,177	179,711	229,030
Contributions payable (Note 11)	127,514	127,514	-	-
Deferred revenue	37,700	38,850	45,025	47,300
Long-term debt	-	-	-	181,979
Total liabilities	1,898,514	3,103,666	1,060,516	2,187,372
Net Assets:				
Unrestricted				
Undesignated	6,820,396	6,193,878	6,158,564	6,470,875
Designated for specific purposes (Note 8)	6,994,005	7,357,024	7,661,428	6,913,642
Total unrestricted net assets	13,814,401	13,550,902	13,819,992	13,384,517
Temporarily restricted (Note 7)	4,640,004	5,272,067	5,763,886	7,204,809
Permanently restricted (Note 7)	1,477,732	1,454,138	1,556,744	1,584,942
Total net assets	19,932,137	20,277,107	21,140,622	22,174,268
TOTAL LIABILITIES AND NET ASSETS	\$ 21,830,651	\$ 23,380,773	\$ 22,201,138	\$ 24,361,640

THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES

Statement of Activities

Year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009, 2008 and 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Totals	2009 Totals	2008 Totals	2007 Totals
Support and Revenue:							
Parochial tithe	\$ 1,946,607	-	-	1,946,607	1,937,555	\$ 2,023,056	\$ 1,875,011
Diocesan assessments	4,199,620	137,377	-	4,336,997	4,180,675	4,031,474	3,578,251
Diocesan appeals	626,419	160,504	-	786,923	784,161	741,021	525,266
Contributions and bequests	443,921	739,919	-	1,183,840	595,713	198,309	462,312
Grants	158,225	527,923	-	686,148	1,357,067	567,090	720,689
Investment income (Note 3)	148,969	73,196	23,594	245,759	7,610	486,825	868,006
Gain from involuntary conversion of property due to hurricane	-	-	-	-	-	-	546,424
Loss from impairment of property value	(48,305)	-	-	(48,305)	-	-	-
Special programs and other revenues	626,223	120,067	-	746,290	883,257	741,610	424,056
Net assets released from restrictions (Note 6)	2,391,049	(2,391,049)	-	-	-	-	-
TOTAL REVENUE	\$ 10,492,728	\$ (632,063)	\$ 23,594	\$ 9,884,259	\$ 9,746,038	\$ 8,789,385	\$ 9,000,015
Expenses: **							
Program expenses							
Clergy life	743,777	-	-	743,777	716,396	348,443	359,064
Christian formation	2,125,635	-	-	2,125,635	2,052,769	2,664,728	2,029,592
Pastoral services	2,244,731	-	-	2,244,731	2,657,049	2,169,532	3,832,410
Health care and casualty insurance	4,080,009	-	-	4,080,009	4,053,045	3,763,628	3,474,063
Supporting services							
General administration	929,831	-	-	929,831	985,977	753,205	747,552
Fund raising	105,246	-	-	105,246	144,317	123,495	84,820
TOTAL EXPENSES	\$ 10,229,229	\$ -	\$ -	\$ 10,229,229	\$ 10,609,553	\$ 9,823,031	\$ 10,527,501
Increase (decrease) in net assets	\$ 263,499	\$ (632,063)	\$ 23,594	\$ (344,970)	\$ (863,515)	\$ (1,033,646)	\$ (1,527,486)
Net assets, beginning of year	13,550,902	5,272,067	1,454,138	20,277,107	21,140,622	22,174,268	23,701,754
Net assets, end of year	\$ 13,814,401	\$ 4,640,004	\$ 1,477,732	\$ 19,932,137	\$ 20,277,107	\$ 21,140,622	\$ 22,174,268

** Details by natural classification are reported on page 15.

See Notes to Financial Statements.

Page 4

THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES

Statement of Cash Flows

Year Ended June 30, 2010

(With comparative totals for the year ended June 30, 2009, 2008, and 2007)

	2010	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase (decrease) in net assets	\$ (344,970)	\$ (863,515)	\$ (1,033,646)	\$ (1,527,486)
Adjustments to reconcile "Increase (decrease) in net assets" to net cash provided by operating activities:				
Non-cash items of (income) or expense included in the change in net assets				
Depreciation	314,500	292,342	273,241	181,847
Provision for losses on accounts receivable	(4,152)	17,310	10,000	-
Non-cash contributions received	(250,445)	(45,600)	-	-
(Gains) losses from debt and equity securities	(31,946)	111,045	42,699	(42,446)
(Gains) losses on securities held in a perpetual trust	(23,594)	102,606	28,198	(34,953)
(Gains) losses from impairment of property value	48,305	-	-	-
(Gains) losses from hurricane destruction of property and equipment	-	-	(5,319)	(546,424)
(Gains) in cash surrender values of life insurance policies in excess of premiums	(24,679)	(20,972)	(21,410)	(50,127)
(Increase) decrease in operating assets				
Grants and contributions receivable	368,288	13,119	213,459	844,449
Accounts and loans receivable	79,554	(170,079)	(40,384)	(23,743)
Accrued interest receivable	25,024	(39,115)	-	-
Prepaid expenses	(22,829)	(248,813)	279,819	24,009
Increase (decrease) in operating liabilities				
Accounts payable	(221,756)	(41,151)	267,811	(32,115)
Collections and insurance proceeds payable	(930,349)	1,962,530	(1,161,095)	(2,115,809)
Contributions payable	-	127,514	-	-
Deferred revenue	(1,150)	(6,175)	(2,275)	(6,175)
Reserves for insurance claims	(51,898)	466	(49,319)	119,559
Net cash provided by (used in) operating activities	(1,072,097)	1,191,512	(1,198,221)	(3,209,414)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	2,294,008	260,619	238,718	287,812
Purchases of investments	(2,410,578)	(2,306,116)	(305,736)	(276,003)
Increase in cash surrender values of life insurance policies from premiums	(15,655)	(19,747)	(14,391)	(16,721)
Proceeds from death benefits and surrender of life insurance policies	-	-	-	110,117
Proceeds from casualty insurance	-	-	-	1,080,903
Acquisition and construction of property and equipment	(909,243)	(315,608)	(125,453)	(670,126)
Advance payment of insured repair costs	-	-	-	(146,189)
Net cash provided by (used in) investing activities	(1,041,468)	(2,380,852)	(206,862)	369,793
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of long-term debt	-	-	(181,979)	(26,080)
Net cash provided by (used in) financing activities	-	-	(181,979)	(26,080)
Net increase in cash and equivalents	(2,113,565)	(1,189,340)	(1,587,062)	(2,865,701)
Cash and equivalents, beginning of year	10,383,190	11,572,530	13,159,592	16,025,293
Cash and equivalents, end of year	\$ 8,269,625	\$ 10,383,190	\$ 11,572,530	\$ 13,159,592
Supplemental Information on non-cash investing activities:				
Property and equipment received from donations	\$ 250,445			

See Notes to Financial Statements.

The Society of the Roman Catholic Church of The Diocese of Lake Charles

Notes to Financial Statements

1. Organization and Basis of Presentation:

The Society of the Roman Catholic Church of the Diocese of Lake Charles (The Diocese) is a not-for-profit corporation organized under the laws of the State of Louisiana in 1980. The Bishop of the Diocese is the president of the diocesan corporation and thirty-eight Catholic parish corporations, all of which are organized under the laws of the State of Louisiana. Accordingly, the Bishop significantly influences the operations of all Catholic entities within the geographical area under his authority, which encompasses the civil parishes of Allen, Beauregard, Calcasieu, Cameron and Jefferson Davis, all located in southwest Louisiana. Numerous financial transactions occur in the ordinary course of business between the diocesan corporation and parish corporations including contributions of financial resources to support the operations of the Roman Catholic Church in Southwest Louisiana. These financial statements include only those accounts that reflect the financial position, changes in net assets and cash flows of the diocesan corporation.

A summary of financial data of the thirty-eight Catholic parishes as of June 30, 2010 and for the year then ended is presented below.

Total non-fixed assets	\$ 22,263,591
Total fixed assets	103,578,695
Total assets	<u>\$125,842,286</u>
Total liabilities	3,326,233
Total net assets	122,516,053
Total liabilities and net assets	<u>\$125,842,286</u>
Total revenue	\$ 21,717,335
Total expenses	\$ 20,412,098

2. Summary of Significant Accounting Principles:

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting standards established by the Financial Accounting Standards Board (FASB) and contained in its Accounting Standards Codification (ASC) section 958. The FASB codification is the single source of authoritative non-governmental accounting standards in the United States of America. Accordingly, the Diocese is required to report information regarding its financial position and changes in net assets using three classifications of assets; unrestricted, temporarily restricted and permanently restricted. The financial statements also include information from prior years summarized for comparison purposes only. The prior year summarized information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles and, accordingly, should be read in conjunction with the Diocese's annual financial statements for those years from which such information was derived. A reclassification on the statement of financial position from undesignated net assets to designated net assets was made to the prior period amounts to conform to the current period presentation. The amounts reclassified were certain bank account balances that were not available to fund current operations without prior approval of management.

The Society of the Roman Catholic Church of The Diocese of Lake Charles

Notes to Financial Statements

2. Summary of Significant Accounting Principles (continued):

Cash and Equivalents

Cash and equivalents include cash in bank deposit accounts, money market accounts, U.S. Treasury Bills with 90 day maturities and interest bearing securities held by financial institutions under repurchase agreements with the Diocese. Cash and equivalents are reported in the financial statements at cost, which approximates fair value.

Investments and Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported in the financial statements at fair value determined by reference to quoted market prices and other relevant information. Investments in all unincorporated self-insurance pools are accounted for under the cost method. In accordance with the consensus opinion of the Emerging Issues Task Force of the Financial Accounting Standards Board, the equity method of accounting previously applied to the Diocese's investment in the Louisiana Catholic Workers Compensation Pool, an unincorporated self-insurance pool carried in the statement of financial position at \$285,116, has been discontinued.

Restricted and Unrestricted Revenue Recognition

Financial resources contributed to the Diocese are recorded as increases in unrestricted, temporarily restricted, or permanently restricted assets depending on the existence or nature of donor restrictions. Temporarily restricted assets are reclassified as increases in unrestricted assets upon satisfaction of time and purpose restrictions. The amounts reclassified are reported in the Statement of Activities as, "Net Assets Released from Restrictions."

Property and Equipment

Property and equipment purchases are capitalized at cost. Donated property and equipment are recorded at the estimated fair value at the date of gift. Depreciation expense is recognized under the straight-line method over the estimated useful lives of the assets.

Federal and State Income Taxes

The Diocese is exempt from federal and state income tax under section 501(c) (3) of the Internal Revenue Code and Louisiana Revised Statute 47:287.501.

Functional Allocation of Expenses

The costs of providing various programs and activities of the Diocese have been summarized on a functional basis in the Statement of Activities. Certain indirect costs have been allocated to the functional areas.

Donated Services

No amounts have been reflected in the financial statements for donated services.

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

2. Summary of Significant Accounting Principles (continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Considerable uncertainty and variability are inherent in such estimates and, accordingly, the subsequent development of such assets or liabilities may not conform to the assumptions used in their estimation and therefore may vary from the amounts reported in the financial statements.

3. Investments and Securities:

The following schedule summarizes investments and securities reported as of June 30, 2010.

	<u>Carrying Value</u>
Certificates of deposits held in trust	\$2,200,000
Certificates of deposits held in bank accounts	200,000
Mutual funds	164,506
Common stock	101,984
Self-Insurance pools, at cost	285,116
Total Investments	<u>\$2,951,606</u>

The Diocese granted to the Louisiana Office of Workers' Compensation a continuing security interest in a \$100,000 certificate of deposit to partially secure the payment of obligations arising from the Diocese's participation in the Louisiana Catholic Workers' Compensation Pool. The investment is reported separately in the statement of financial position. The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 78,939	\$ -0-	\$ -0-	\$ 78,939
Interest income credited to life insurance policies	24,679	-0-	-0-	24,679
Perpetual trust distributions	-0-	73,196	-0-	73,196
Gains in common stock and mutual funds carried at fair value	32,313	-0-	23,594	55,907
Income from self-insurance pools	13,038	-0-	-0-	13,038
Net investment income	<u>\$148,969</u>	<u>\$ 73,196</u>	<u>\$ 23,594</u>	<u>\$245,759</u>

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

4. Fair Value Measurements:

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	Fair Values	Active Market Quotes for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$2,400,000	\$2,400,000	\$ -0-
Mutual funds	164,506	164,506	-0-
Common stock	101,984	101,984	-0-
Loans receivable	144,423	-0-	144,423
Life insurance contracts	633,851	-0-	633,851
Beneficial interest in a perpetual trust	1,477,732	1,477,732	-0-
Total	\$4,922,496	\$4,144,222	\$778,274

Fair values of certificates of deposit, mutual funds and common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the beneficial interest in a perpetual trust is determined by quoted market prices of the underlying securities.

The following schedule is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Loans Receivable	Life Insurance Contracts
Beginning Balances	\$146,909	\$593,517
New loans	-0-	-0-
Less loan repayments	2,486	-0-
Insurance premiums in excess of costs	-0-	13,465
Interest income credited to insurance policies	-0-	26,869
Ending Balances	\$144,423	\$633,851

No unrealized gains or losses in assets valued using level 3 inputs are included in the change in net assets for the year ended June 30, 2010.

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Note to Financial Statements

5. Property and Equipment:

The following schedule is a summary of investments in property and equipment at June 30, 2010:

St. Charles Retreat Center	\$ 6,194,820
Chancery building	1,714,217
Seafarers center	290,301
Perry building	327,968
Diocesan residence	812,828
Catholic service center	333,477
Office of Catholic schools	27,889
Kirby street properties	530,099
Other assets	592,965
Total	10,824,564
Less Accumulated Depreciation	3,197,424
Net Property and Equipment	\$ 7,627,140

Total property and equipment includes non-depreciable investments totaling \$1,937,736, consisting of land, construction in progress expenditures, statues and other collectibles. Six parcels of land with a carrying value of \$357,516 are not held for use in current operations. Five of the six parcels were acquired from donor bequests. Depreciation expense totaled \$314,500

6. Net Assets Released from Restrictions:

Temporarily restricted assets totaling \$2,391,049 were released from restrictions as a result of specific program expenses incurred during the year ended June 30, 2010. The following schedule summarizes the program expenses on a functional basis.

Purpose Restrictions:	
Clergy life and support	\$ 432,153
Christian formation	206,857
Pastoral services and support	1,703,782
Fund raising	48,257
Total	\$2,391,049

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Note to Financial Statements

7. Temporarily and Permanently Restricted Assets:

Temporarily and permanently restricted assets are available for the following purposes at June 30, 2010.

	Temporarily Restricted	Permanently Restricted
Grants receivable-support for needy parishes	\$ 62,500	\$ -0-
Cash-support for needy parishes	29,840	
Cash-development director	83,507	-0-
Cash-St. Patrick Mission	38,385	-0-
Cash-Christian formation	17,572	-0-
Cash-humanitarian support	403,224	-0-
Cash-seminarian support	457,753	-0-
Cash-hurricane disaster recovery and assistance	3,538,336	-0-
Cash-miscellaneous programs	8,887	-0-
Investments held in perpetual trust	-0-	1,477,732
Total	\$4,640,004	\$1,477,732

The fair values of investments held in a perpetual trust totaled \$1,477,732. Under the terms of the trust, the original principal shall be invested in perpetuity and the income distributed to the Diocese to benefit the poor and needy including direct assistance for food, clothing, housing, medical and other basic needs. The income can also be used to provide academic scholarships for academically deserving financially needy students seeking a baccalaureate degree from a Louisiana public or private accredited college or university who would otherwise not be able to continue their education.

8. Designations of Unrestricted Assets:

Designated net assets are unrestricted net assets subject to self-imposed limits on the availability of such assets, generally cash and equivalents, for use without prior approval by the governing board. Management has designated specific amounts of unrestricted net assets in order to provide financial resources for future programs, investments and contingencies as follows;

Operation of St. Charles Retreat Center	\$ 176,964
Scholarships for Catholic education	227,646
Diocesan clergy retirement	1,359,232
Clergy long term care program	239,365
Self insured health care program	1,369,106
Seminarian education funding	1,590,305
Property and casualty insurance program	1,522,869
Bishop's discretionary funds	467,963
Deaf Center and Bethany Cemetery	38,158
Planned giving program	2,397
Total	\$6,994,005

The Society of the Roman Catholic Church of The Diocese of Lake Charles

Notes to Financial Statements

9. Insurance Programs and Significant Estimates:

The Diocese maintains a self-insured hospitalization insurance program for employees of the Diocese as well as Catholic parishes, schools and other related organizations. The program is administered through the Louisiana Health Service and Indemnity Company d/b/a/ Blue Cross Blue Shield of Louisiana under a contract with the Diocese and funded with premiums paid to the Diocese by each participating entity. The Diocese reimburses Blue Cross for the first \$75,000 of claims paid per participant during the policy period limited to a total of \$2,443,146 aggregate claim costs for all participants. Blue Cross underwrites the reinsurance policy issued to the Diocese, which covers claims paid by Blue Cross in excess of the specific or aggregate limit. Management has established a reserve for estimated incurred but not reported claims of \$107,685 with a corresponding charge against current year revenue.

The Diocese maintains property and liability insurance coverage for all Catholic parishes, schools and other related organizations. The self-insured retention is \$25,000 per location for property coverage and \$25,000 per occurrence for liability coverage with an annual aggregate limit of \$225,000. Property coverage for named storms is limited to \$30,000,000 and the deductible is 3% of the insured value of each building. The loss exposure for named storms is not subject to the \$25,000 per location self-insured retention. Flood insurance coverage is limited to \$250,000 per location except those locations in specific flood zones which are subject to a deductible of \$500,000 before the \$250,000 coverage applies. The \$500,000 deductible is insured under the Federal Flood Insurance Program. Flood coverage under the Diocesan insurance program is limited to \$5,000,000 per occurrence. General liability coverage is limited to \$500,000 with excess liability coverage extending to \$10,000,000 subject to various limits based on the nature of the claim. Management has established a reserve for estimated claim costs of \$20,594 on claims reported through June 30, 2010, with a corresponding charge against current year revenue.

The Diocese is a participant in the Catholic Umbrella Pool II, (Cup II) a self-insurance pool that participates in excess liability coverage for its membership on claims exceeding \$1,500,000 to a limit of \$5,000,000. Participating Dioceses are responsible for any losses in excess of the Cup II's obligations. The Diocese's investment in the Cup II is reported as a component of investments and securities in the statement of financial position with a carrying value of \$0 in accordance with the cost method of accounting.

The Diocese is a participant in the Louisiana Catholic Workers' Compensation Pool, (LCWCP) an unincorporated self-insurance pool created to provide workers' compensation insurance coverage to its membership consisting of four Catholic dioceses in Louisiana. For claims arising after January 1, 2008, the LCWCP is responsible for the first \$400,000 of claim costs per occurrence with an estimated aggregate limit of claim cost of \$3,439,796. The LCWCP maintains excess insurance coverage for claim costs exceeding its specific and aggregate risk retention. The aggregate excess insurance coverage is limited to \$5,000,000. The Diocese's investment in the LCWCP is reported as a component of investments and securities in the statement of financial position and carried at \$285,116. In accordance with the consensus opinion of the Emerging Issues Task Force of the Financial Accounting Standards Board, the equity method of accounting previously applied to the Diocese's investment has been discontinued. No subsequent evaluations of impairment have been made by management.

**The Society of the Roman Catholic Church of
The Diocese of Lake Charles**

Notes to Financial Statements

10. Retirement Plans and Post Retirement Benefits:

The Diocese sponsors a defined contribution retirement plan under Internal Revenue Code Section 403(b) for all lay employees. Tax deferred contributions are made to segregated accounts through voluntary salary reduction agreements. The Diocese matches employee contributions up to 1.5% of their annual compensation.

The Diocese also maintains a defined contribution pension plan under Internal Revenue Code Section 401(a), which allows employees to make after tax contributions that are pooled and invested in a fixed income account. The Diocese matches employee contributions up to 1.5% of their annual compensation and contributes a fixed amount of \$904 annually for all diocesan priests not assigned to a parish. Retirement contributions on behalf of all diocesan priests assigned to parishes are paid from the general assets of the parish. Contributions by the Diocese to all defined contribution type plans for the year ended June 30, 2010 totaled \$16,789.

The Diocese has a policy of providing specific retirement benefits to all retired diocesan priests, which is similar in substance to a defined benefit plan. Under the policy the Diocese pays from its general assets a monthly retirement benefit in an amount that, when added to the monthly pension annuity available under the defined contribution plan equals the base salary of the retiree before retirement. Payments under this policy totaled \$239,668 for the year ended June 30, 2010. The Diocese received \$40,000 from a grant, \$116,418 from an annual collection and \$55,244 from a parish assessment to provide funding for its defined benefit pension obligations. Pension expense for the year ended June 30, 2010 totaled \$256,457.

The Diocese has a policy of providing post retirement health care benefits to all diocesan priests. Under generally accepted accounting principles, post retirement health care and retirement benefits are deferred compensation arrangements, the cost of which should be recognized over the period of service rendered by those eligible to participate.

Financial Accounting Standards Board (FASB) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment to FASB Statements No. 87, 88, 106 and 132R*, which has been codified in FASB's ASC section 715, requires the recognition of the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation. The benefit obligation is generally an amount representing the present value of the pension and post retirement health care benefits attributed to employee service rendered prior to the date of the statement of financial position. The net periodic pension and post retirement health care expense consists of several components including a service cost, which is the present value of benefits attributed to employee service during the reporting period, an interest cost, which is the increase in the benefit obligations as a result of the passage of time, and certain gains and losses related to the value of plan assets and changing assumptions used in estimating the benefit obligation. Additional disclosures are required by FASB's ASC section 715.

The financial statements do not disclose the funded status of the plans and the periodic pension and post retirement health care expenses are recognized as payments are made.

The Society of the Roman Catholic Church of The Diocese of Lake Charles

Notes to Financial Statements

11. Related Party Transactions:

As discussed in Note 1, numerous financial transactions occur in the ordinary course of business between the Diocese and Catholic parishes and schools. The parochial tithe totaling \$1,946,607 resulted from parish contributions of 11% of their collections to the Diocese. Diocesan assessments totaled \$4,336,997 to fund health care benefits for employees of all Catholic entities, property and liability insurance coverage for all diocesan, parish, and school operations and to partially fund seminarian education costs and retirement obligations to diocesan priests. The Diocese provides subsidies and grants to parishes for evangelization, religious education, pastoral programs and hurricane disaster assistance where hurricane losses exceeded available insurance proceeds. Subsidies and grants to Catholic parishes and schools during the year totaled \$675,780.

Insurance proceeds totaling \$972,317 related to hurricane losses were payable to parishes at June 30, 2010 and are included on the statement of financial position as a component of total liabilities. The Diocese provided a loan to St. Joseph Parish to supplement parish resources available to renovate the church. Concurrently, the Diocese committed to provide funding to the parish to repay the loan as resources become available. The loan receivable of \$127,514 is included in total loans receivable of \$144,423 in the statement of financial position. A contribution payable for an equivalent amount is reported in the statement of financial position as a component of total liabilities.

12. Concentrations of Credit Risk and Economic Resources:

The Diocese maintains its cash in bank deposit accounts in amounts that periodically exceed federally insured limits. The amount of bank deposits in excess of FDIC coverage totaled \$3,707,769 on June 30, 2010. Other financial instruments owned by the Diocese that result in significant concentrations of credit risk include \$1,359,232 in money market funds held in brokerage accounts, grants receivable of \$62,500 and life insurance contracts with cash surrender values totaling \$481,548 with a single insurance company. The Diocese does not require collateral or specific segregation of the securities to mitigate its risk concentrations in financial instruments.

Financial support for the Diocese is derived primarily through the parochial tithe and other assessments of Catholic entities located in Southwest Louisiana. The Diocese receives grants that generally exceed \$550,000 annually from three national Catholic organizations. These concentrations make the Diocese vulnerable to the risk of severe impact in the event of adverse economic or climatological conditions in the geographic area of the Diocese or in the fund raising activities of the three national Catholic organizations.

13. Commitments:

The Diocese receives financial resources that are subject to donor restrictions on the time or manner of use which result in commitments by the Diocese to comply with the applicable restrictions. Total restricted resources held by the Diocese at June 30, 2010 and the restrictions to which the Diocese has committed are reported in Note 7.

The Diocese entered into a construction contract to rehabilitate existing structures and construct a new office facility to support the work of its Catholic charities department. The contract price of \$623,537 is payable at various stages of completion pursuant to the terms of the contract.

**The Society of the Roman Catholic Church
of the Diocese of Lake Charles**

Lake Charles, Louisiana

**Supplemental Information
Year Ended June 30, 2010**

THE SOCIETY OF THE ROMAN CATHOLIC CHURCH OF
THE DIOCESE OF LAKE CHARLES

Schedule of Functional Expenses

Year Ended June 30, 2010

(With comparative totals for the year ended June 30, 2009 and 2008)

	CLERGY LIFE	CHRISTIAN FORMATION	PASTORAL SERVICES	HEALTH CARE & CASUALTY INSURANCE	GENERAL	FUND RAISING	2010 TOTALS	2009 TOTALS	2008 TOTALS
Assessments	\$ -	\$ 19,877	\$ 607	\$ -	\$ 38,566	\$ -	\$ 59,050	\$ 57,667	\$ 60,949
Accounting, auditing & consulting	-	-	-	-	52,100	-	52,100	52,005	58,145
Auto & residence allowances	5,183	14,157	10,800	-	40,380	-	70,520	70,983	56,130
Books, periodicals & publications	974	24,833	1,997	-	5,801	15,020	48,625	37,969	29,408
Charitable donations	-	750	298,187	-	-	-	298,937	247,393	151,654
Clergy welfare assistance	60,616	-	-	-	-	-	60,616	162,225	5,177
Contracted services	2,925	101,327	121,086	201,091	86,741	44,105	557,275	521,207	663,973
Dues & memberships	850	4,392	1,650	-	3,247	-	10,139	11,874	11,096
Facility & equipment rental	-	17,086	17,615	-	1,885	-	36,586	55,890	48,206
Hospitalization claims	-	-	-	1,761,197	-	-	1,761,197	1,863,573	1,583,067
Hospitalization insurance	-	-	-	405,187	-	-	405,187	338,253	297,653
Hurricane disaster assistance	-	-	609,998	-	-	-	609,998	1,038,416	1,068,753
Interest expense	-	-	-	-	-	-	-	-	3,342
Life insurance	-	-	-	-	-	10,775	10,775	14,823	11,864
Newspaper	-	189,708	-	-	-	-	189,708	153,176	132,665
Occupancy costs (A)	7,240	103,747	23,384	-	89,354	6,569	230,294	207,232	184,240
Office supplies & expenses	545	29,426	15,446	464	35,614	5,935	87,430	90,072	88,041
Other expenses	-	-	-	-	614	2,582	3,196	27,053	15,137
Payroll & other taxes	1,881	42,087	17,418	-	37,705	816	99,907	89,215	88,424
Postage & shipping	834	6,425	1,688	779	11,595	894	22,215	21,163	21,555
Property & casualty claim costs	-	-	-	81,356	-	-	81,356	49,015	124,176
Property & casualty insurance	7,533	67,155	12,209	1,628,073	9,205	170	1,724,345	1,701,443	1,672,648
Provision for bad debts	-	-	-	-	-	-	-	17,310	10,000
Public relations	564	23,572	4,020	-	38,644	1,871	68,671	56,102	52,118
Repairs & maintenance	35,008	203,666	29,543	-	6,768	162	275,147	412,053	396,057
Residence & retreat center supplies	17,037	87,434	-	-	-	-	104,471	118,760	119,132
Retirement expense	246,905	3,801	1,636	-	4,114	1	256,457	240,244	200,157
Salaries	40,568	674,042	230,861	-	382,156	10,726	1,338,353	1,288,287	1,163,505
Seminars, retreats & conferences	4,854	224,904	15,846	1,862	16,355	614	264,435	192,131	209,515
Subsidies & grants	12,943	22,000	609,748	-	-	-	644,691	746,249	574,813
Telephone expense	4,277	10,051	82,223	-	7,084	166	103,801	112,557	66,498
Television & radio	-	124,305	-	-	-	-	124,305	100,002	95,589
Travel & transportation	1,871	12,700	23,749	-	14,258	34	52,612	45,911	62,717
Tuitions & seminarian costs	253,058	9,272	-	-	-	-	262,330	176,958	213,432
	705,666	2,016,717	2,129,711	4,080,009	882,186	100,440	9,914,729	10,317,211	9,539,836
Depreciation expense	38,111	108,918	115,020	-	47,645	4,806	314,500	292,342	283,195
Totals	\$ 743,777	\$ 2,125,635	\$ 2,244,731	\$ 4,080,009	\$ 929,831	\$ 105,246	\$ 10,229,229	\$ 10,609,553	\$ 9,823,031

(A) Allocated indirect costs to functional categories